



INTERNAL AUDIT DIVISION

REPORT 2023/085

Audit of livelihoods programmes in field operations of the Office of the United Nations High Commissioner for Refugees

Livelihoods and economic inclusion interventions required a strategic review and strengthening of monitoring and impact assessment

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Assignment No. AR2023-169-01

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EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted a thematic audit of livelihoods programmes in field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess the adequacy and effectiveness of UNHCR processes for managing the livelihoods and economic inclusion programme in accordance with policy requirements. The audit covered the period from January 2021 to December 2022 and covered: (a) strategies and regulatory framework; (b) inclusion and partnerships; (c) planning and implementation; (d) resource allocation; (e) monitoring and impact assessment; and (f) support and oversight.

UNHCR has strengthened its engagement with governments, local authorities, development actors and the private sector to enhance economic inclusion for refugees. Many refugees received support through UNHCR funded interventions, including business and employment support services, market linkages, skills training and agriculture and food security support, and reported positive changes in their incomes. However, the Refugee Livelihoods and Economic Inclusion Global Strategy Concept Note (2019 – 2023) was not adequately cognizant of the factors that impacted its effectiveness including the reduced funding and limiting enabling environments. The effectiveness of livelihoods programme was also negatively impacted by gaps in planning, management and monitoring livelihoods and economic inclusion projects.

OIOS made seven recommendations. To address issues identified in the audit, UNHCR needed to:

- Finalize the global livelihoods and economic inclusion strategy following a theory of change approach, ensuring that livelihoods and economic inclusion programming and partnerships are adaptive to evolving operating contexts' risks and opportunities;
- Ensure that field operations carry out institutional mapping to inform programme design and planning for enhancing the enabling environment for economic inclusion;
- Ensure that field operations undertake market assessments to inform planning and design of livelihoods projects;
- Institute mechanisms to ensure that field operations strengthen their coordination with partners engaged in livelihoods and economic inclusion, thereby, identifying and addressing gaps and/or overlaps in assistance provided to forcibly displaced persons;
- Extend the Livelihoods Information System to field operations implementing sizable livelihoods programmes and build their capacity to measure livelihoods outcomes and impacts;
- Reinforce the management and monitoring of livelihoods interventions through, amongst other things, the inclusion of technical expertise necessary to manage related programmes in multi-functional team reviews; and
- Mainstream cost and process efficiencies, make concerted fundraising efforts at the regional bureau and field levels, and undertake strategic workforce planning to align its livelihoods staffing and structure design with the Organization's strategic priorities.

UNHCR accepted all recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of livelihoods programmes in field operations of the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted a thematic audit of livelihoods and economic inclusion programmes in field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. UNHCR works to help forcibly displaced persons earn a living so they can be self-reliant and rebuild their lives. Through safe work, refugees can provide for their families' basic needs, maintain their dignity, and contribute to society. The Global Compact on Refugees (GCR) notes that the enhancement of refugee resilience and self-reliance and improving livelihoods through economic inclusion is a key component of achieving protection and solutions outcomes for refugees.
3. The challenges of forced displacement and statelessness have grown in scope, scale and complexity. Economic inequalities have been worsened by the COVID-19 pandemic and the global economic crisis, decreasing humanitarian funding, new and intractable conflicts, and the climate crisis. The impact of the shocks to the global system has been severe on forcibly displaced and stateless persons, who are among the most disadvantaged.
4. The Refugee Livelihoods and Economic Inclusion Global Strategy Concept Note (2019 – 2023) sets out the strategic direction for the livelihoods and economic inclusion programme implemented by the field operations. The livelihoods and economic inclusion expenditures for UNHCR increased from \$141 million in 2021 to \$210 million in 2022. As of 30 September 2023, the expenditure was \$75 million. The Livelihoods and Economic Inclusion (LEI) Unit, under the Division of Resilience and Solutions (DRS), consists of two staff members and provides technical services to headquarters, regional bureaux, field operations and partners, on research, strategy development, policy and advocacy, innovation, monitoring and evaluation, resources, partnerships, mobilization for sustainable and inclusive market-based livelihoods and economic inclusion programming.
5. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of UNHCR processes for managing the livelihoods and economic inclusion programmes in accordance with its policy requirements.
7. This audit was included in OIOS' 2023 risk-based work plan due to the importance of the livelihoods and economic inclusion programme in realizing UNHCR's strategic objectives.
8. OIOS conducted the audit from April to October 2023 in UNHCR Headquarters in Geneva and field locations in Angola, Greece, Mexico, Niger, Pakistan, Rwanda and Uganda. The audit also incorporated results of the recently completed field audit in Nigeria. The audit covered the period from January 2021 to December 2022 and reviewed livelihoods expenditures of \$40 million in the eight field operations covered by the audit. Based on an activity-level risk assessment, the audit covered the following high and medium risk areas: (a) strategies and regulatory framework; (b) inclusion and partnerships; (c) planning and implementation; (d) resource allocation; (e) monitoring and impact assessment; and (f) support and oversight.

9. The audit methodology included: (a) virtual and in-person interviews with key UNHCR and partner personnel; (b) information collected from regional bureaux and from a review of livelihoods projects and relevant documentation including those maintained by implementing partners; (c) review of financial data and documentation from UNHCR enterprise systems; (d) virtual and actual review of monitoring and oversight including the related documentation from regional bureaux and selected field operations; and (e) sample testing of controls.

10. This thematic audit report focuses on strategic, systemic, and recurring issues addressed to second line entities, while observations relating to the first line will be included in reports addressed to the respective field operations.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Strategy and regulatory framework

Need for a robust regulatory framework to guide livelihoods and economic inclusion

12. The Refugee Livelihoods and Economic Inclusion Global Strategy Concept Note (2019-2023, referred to as the Concept Note henceforth) requires that UNHCR through advocacy enhance the enabling environment so refugees have legal and de facto access to decent work. This would be achieved through refugees having the right to work, owning a business, accessing financial services, owning land/property, as well being able to move freely.

13. The upcoming global strategy to replace the Concept Note needed to take account of the operating context, which in six of the eight operations reviewed was fragile and upended by conflict, security considerations, and recurrent economic, climate and natural shocks. For entrepreneurship to become a viable option in these operations, the basic needs of the refugees would need to be met first. The strategy also needed to consider how the COVID-19 pandemic as well as global economic and food crises have impacted developing countries and amplified the poverty levels of the most vulnerable. The vulnerability of the refugee populations remained high and support for livelihoods, economic inclusion and entrepreneurship activities could not be prioritized. Overall, the strategy to replace the Global Concept Note should be based on a rigorous analysis of gaps, challenges, and opportunities.

14. Although the Concept Note articulated UNHCR's organizational direction, the field operations were not at the required level of readiness to make that change. For example, in most field operations, UNHCR was yet to transition away from direct implementation towards a catalytic and enabler role as defined in the Concept Note. While formulating the new strategy, UNHCR needs to be mindful of the wide gap between the strategy as articulated in the Concept Note and how it is being executed by field operations, as noted subsequently in this report. An essential step in the new strategy should be to prepare the organization for the eventual shift in focus and there may also need to build in flexibility to take mid-course corrections. After the strategic vision is set and the priorities are identified, UNHCR's 2023 Programme Handbook requires use of 'the theory of change' which is a tool to identify how the vision can be logically achieved through the strategic priorities.

Strategic planning

15. Livelihoods interventions may be implemented by UNHCR operations as a last resort when: (i) there is limited or no presence of expert entities who can include refugees in the livelihoods programme; (ii) the engagement of other stakeholders is impossible or still insufficient to meet the needs of the refugees; and (iii) UNHCR has a comparative advantage, is in a position to test new approaches or has been requested to implement the programme by government or development actors.

16. However, a review of the 2022 and 2023 project agreements and the 2022 COMPASS annual results in eight operations showed that, except for Greece and Mexico, the focus of the other six operations was largely on more traditional livelihoods programming, i.e., weaving, tailoring, small business, and small-scale agriculture activities. The focus of field operations was thus more on programme implementation than UNHCR's strategic direction of facilitating policy implementation, advocacy, and coordination of stakeholders.

17. Operations are required to assess if the host country permits displaced and stateless persons to work. All except one operation (Angola) had standalone livelihoods strategies in place. Six of the operations (Greece, Mexico, Rwanda, Nigeria, Uganda, and Niger) permitted displaced and stateless persons to work and two (Angola and Pakistan) had restrictions on formal employment. Five of the seven bureaux (Europe, Southern Africa, West and Central Africa, Americas, East and Horn of Africa and the Great Lakes) had regional livelihoods strategies that were broadly aligned with the Concept Note. The regional bureau for the Middle East and North Africa noted that it was awaiting the finalization of the global strategy and the bureau for Asia and the Pacific stated that its livelihoods and economic inclusion direction was outlined in its strategic directions document.

Risk management

18. From the risk management perspective, UNHCR had a risk in the March 2023 strategic risk register related to the 'Inability to effectively implement our role in the Global Compact on Refugees' The audit noted that there was positive evidence of UNHCR efforts to proactively and systematically engage governments and stakeholder groups listed in the GCR through inclusion of refugees in their programmes, advocacy and strategies; high-level events; and the development of concrete, impactful and measurable GRF pledges.

19. In its corporate risk register, DRS identified the following risks related to livelihoods and economic inclusion: (i) inadequate capacities to mobilize for livelihoods and ensure quality interventions which was rated as a medium risk; and (ii) limited economic inclusion opportunities due to exclusion of displaced persons by governments, development actors, private sectors and other actors, which was also rated as medium. Additionally, three of the eight operations (Greece, Uganda, and Rwanda) categorized livelihoods and inclusion risks as 'high.' In four operations, such risks were categorized as 'medium' and only the operation in Pakistan did not refer to livelihoods related risks in its register and therefore adequate risk treatments or mitigation measures were not in place for ensuring inclusion, removal of barriers on employment and avoiding duplication of efforts.

(1) The UNHCR Division of Resilience and Solutions should finalize the global livelihoods and economic inclusion strategy following a theory of change approach, ensuring that livelihoods and economic inclusion programming and partnerships are adaptive to evolving operating contexts' identified risks and opportunities.

UNHCR accepted recommendation 1 and stated that the Division of Resilience and Solutions will finalize the Global Livelihoods and Economic Inclusion strategy by 31 May 2024, to allow for

B. Inclusion and partnerships

Need to carry out institutional mapping and enhance the enabling environment

20. All operations were also required to: (i) identify barriers to work; and (ii) conduct institutional mapping exercises on the inclusion of forcibly displaced and stateless persons, considering the activities of all stakeholders implementing livelihoods programmes in the country.

21. Economic inclusion entails access to labour markets, land, finance, entrepreneurship, and economic opportunities for all, including non-citizens. The extent to which the enabling environment is functioning is a key factor to consider when planning country-level livelihoods and economic inclusion strategies. The enabling environment for displaced persons comprises rules, regulations, and systems in place to help people to live and work peacefully and productively to meet their basic needs, a prerequisite for building resilience. The enabling environment also includes access to documentation, health services, education, safety, and freedom of movement, and may differ for forcibly displaced people and nationals. A positive development conducive to enhancing of the enabling environment has been a strategic shift, wherein after seven decades of annual planning, UNHCR operations are implementing multi-year strategies.

22. Regional bureaux and operations took concrete actions towards broadening inclusion. For example, in 2022 and 2023, the Regional Bureau for the East, Horn of Africa and Great Lakes and the Regional Bureau for West and Central Africa organized livelihoods workshops and brownbag meetings to support inclusion. In Greece, the legislation gave refugees the right to work to pave the way for integration of beneficiaries within national systems. Similarly in Mexico, displaced persons are included in the National Population Registry; national health system; and back-to-school campaigns. In Rwanda, refugees were included in the National Financial Inclusion Strategy and granted the right to work, move, access documentation, own property including land, register businesses and pay taxes.

23. However, even where the enabling environment was favorable, this did not translate into strong livelihood opportunities, as discussed below:

- Latin America had strong legal rights for refugees, but in practice there were restrictions. In Mexico for example, the national legal framework allowed but structural barriers limited asylum seekers and refugees' access to formal employment. Refugees and asylum seekers could not open bank accounts, registration requirements inhibited employment and freedom of movement was limited during the asylum process.
- In Angola, forcibly displaced persons were not included in the national development plans, and there were barriers to access work and restrictions on movement.
- In Greece, displaced persons' access to work was negatively impacted by general prejudices and administrative burdens such as language barriers and lengthy documentation procedures.
- In Pakistan, displaced persons were not included in the national poverty alleviation programmes and thus primarily depended on the livelihoods programme implemented by UNHCR.
- In Uganda, progressive refugee laws and freedoms provided displaced persons with prospects for dignity and self-reliance. In practice, however, displaced persons were not included in national systems due to the limited capacity of local governments in the districts hosting refugees.

24. Four field operations (Mexico, Greece, Rwanda, and Pakistan) undertook institutional mapping to better understand which actors were implementing livelihoods programmes in the country, and thereby

were able to assess if inclusion of displaced and stateless persons was possible. Niger, Nigeria, and Uganda had not undertaken a comprehensive institutional mapping exercise and as a result, prospects for inclusion were not adequately explored.

(2) The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions, should ensure that operations carry out institutional mapping to inform programme design and planning for enhancing the enabling environment for economic inclusion.

UNHCR accepted recommendation 2 and stated that the recommendation requires ongoing support and oversight to ensure institutional mappings are up to date. However, DRS and Regional Bureaux will support field operations in carrying out institutional mapping in countries that currently do not have such overview of partner and stakeholder activities by the end of 2024.

Actions were taken by UNHCR to cultivate partnerships

25. During the Global Refugee Forum (GRF), stakeholders made pledges and contributions to advance the objectives of the GCR. The pledges related to jobs and livelihoods mainly focused on providing technical support and creating an enabling environment for livelihoods and economic inclusion and not necessarily livelihoods projects that created jobs or poverty graduation programmes. As of June 2023, there were 180 pledges focusing on jobs and livelihoods, of which 30 per cent were fulfilled, 63 per cent in progress and the rest still at planning stage. No recommendation is raised in this report since the implementation of GCR pledges was reviewed in OIOS' advisory review on the Global Compact on Refugees (VR2021-160-02).

26. Over the years, UNHCR expanded collaboration with stakeholders in the livelihoods and economic inclusion sector. These broad coalitions helped promote advocacy on the right to work, access to financial services, promotion of self-reliance and the inclusion of displaced people in national and local development planning. For example, UNHCR:

- Signed a Memorandum of Understanding with a United Nations agency to identify common priorities, including promoting inclusive and equal treatment in refugees' access to decent work and livelihoods, countering economic exploitation and eradicating child labour.
- Launched a five-year partnership with a development entity to address challenges faced by refugees and host communities through private-sector solutions and supporting creation of economic opportunities amongst large refugee populations.
- Partnered with a private foundation to support refugees achieve economic self-reliance and sustainable livelihoods in various locations for the past decade.
- Coordinated the Poverty Alleviation Coalition of non-governmental organizations, to empower the poorest refugees and their host communities to move out of poverty through the graduation approach. The Coalition was on track to achieving its target of lifting 160,000 households out of extreme poverty by GRF 2023.
- Entered into a joint strategy with another United Nations agency to enhance self-reliance in food security and nutrition.
- Under the MADE51 project identified refugee groups with artisanal skills and connected them with experienced local social enterprises vetted by UNHCR and another trade organization.

C. Planning and implementation of livelihood programmes

Need to conduct market assessments to inform planning and design of livelihood projects

27. Market analyses inform UNHCR and partners about potential opportunities for refugees to access or participate in the development of markets for goods and services. Based on the findings of these analyses, operations can plan the most appropriate and market-based livelihoods and economic inclusion programmes.

28. Among the operations reviewed, Greece conducted various needs assessments and analyses that informed its livelihoods interventions. Uganda and Angola had updated market assessments and Uganda had also conducted a comprehensive skills profiling of the refugee population. Pakistan, Mexico, and Niger relied on outdated market assessments conducted by another United Nations agency. Rwanda on the other hand had not done market assessments for the graduation programme. Inadequate planning and understanding of market dynamics as well as the needs and capacities of the forcibly displaced and host communities can negatively impact the outcome of livelihoods programme. For example:

- In the absence of market assessments for a UNHCR funded graduation project implemented in Mahama camp, Rwanda, the partner relied on business plans developed by refugees, and this led to unsatisfactory outcomes such as unsuccessful and uneconomic businesses and oversaturation of certain trades and services.
- The last detailed market assessment and value chain analysis were conducted in Pakistan in 2017. Competing projects in the same area and use of sub-contracting arrangement resulted in a non-governmental organization being both a partner for UNHCR programmes and sub-contractor for a government partner project funded by UNHCR. This presented a risk of double accounting especially for administration costs, e.g., office rent, fuel and other running costs.
- In the Arua District in Uganda, UNHCR and operational partners used rented tractors to plough 13,200 acres of land for a total of approximately Ugandan Shillings 1.8 billion (\$0.5 million). The total rental cost of the tractors could have been used to purchase at least 15 tractors. (Following the audit, the Representation planned to purchase 5 tractors.) Additionally, fish farming projects in Nakivale and Rwamanja and mushroom growing in Kyangwali were started without undertaking financial analysis to assess the profitability of the ventures despite the failure of a similar fish project in Yumbe.
- The crafts, jewelry, and carpets produced by Afghan refugees were of good quality and attracted interest from private enterprises, but limited items were supplied to MADE51 project. Thus, there was a need to link refugees' products to the market at a fair price.

29. The audit also noted that several businesses failed due to, amongst other things, over saturation of similar businesses, e.g., beauty parlors, barbershops, tailoring and the sale of second-hand clothes and mobile phone accessories within the refugee camps and nearby towns. This was an indication of inadequate design of the livelihoods programme. Additionally, although the operation in Rwanda had trained many tailors in the camps over the years, they were not considered in the tender to supply school uniforms for children in the camp-based schools.

30. Further, in several operations, the sustainability of livelihoods interventions was not assessed, and this increased the risk of the businesses failing. For instance, the operation in Uganda implemented a soap manufacturing project in 2021 and 2022 at a cost of \$194,000. This factory was closed in 2023 due to a lack of proper business planning and technical capacity to run the factory, by which time sales of only \$7,800 had been made. At the time of closure, no accounting records were in place to show the investment

and estimated loss. Additionally, no decision had been reached on what to do with the factory assets including the cash at hand, raw materials totaling approximately \$17,000, and machinery.

31. In Nigeria, the auditors were only able to visit 27 out of its sample of 40 livelihoods interventions in Adagom and Ikom because 13 project owners did not make themselves available. None of the 27 interventions visited had achieved the desired results. Eight of these livelihoods' interventions had been discontinued and 19 were operational (three poultry pens and 16 fishery ponds). However, even the 19 operational projects were not making sufficient profits to sustain their businesses and support their families, and this raised questions about their viability.

(3) The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions should ensure that field operations undertake market assessments to inform planning and design of livelihoods projects.

UNHCR accepted recommendation 3 and stated that DRS and Regional Bureaux will support field operations in conducting markets assessments in countries where such information is not available/conducted by other partners, if UNHCR budgets allow.

Need for better coordination with key stakeholders, collection and sharing of data

32. The GCR objectives include enhancing refugee self-reliance and easing pressure on host countries, which could only be achieved through a broad base support that includes governments, NGOs, private sector, civil society, and other development partners.

33. In response to the GCR, various stakeholders including government ministries, international and local NGOs initiated livelihoods programmes in refugee hosting areas. However, there were no mechanisms to record beneficiaries who had benefited from this assistance over the years in the operations reviewed as stated below:

- Livelihoods and economic inclusion interventions in Rwanda were implemented by 11 stakeholders in the refugee camps, comprising of NGOs and private microfinance institutions, but there was no centralized database to record beneficiaries as well as interventions offered by different partners in different camps to reduce the risk of duplication in assistance.
- In Uganda, a central database of beneficiaries assisted by over 80 actors was needed to reduce incidents of beneficiaries receiving livelihoods assistance from multiple sources. UNHCR recognized this gap and was working with partners and the registration team to develop a data management tool that is linked with proGres.
- Livelihoods programmes in Pakistan had been implemented for many years but data had not been collected on socio-economic status of the refugees and details of beneficiaries assisted to enable follow up studies to review impact of the interventions which would guide and inform future strategies in selection of interventions and beneficiaries.
- UNHCR Greece did not maintain details of the refugees who were assisted by the partners to acquire jobs, obtain social security number, and prepare curriculum vitae. One of the partners had a system where each assisted refugee was recorded but this was not available to others.

34. This was due to lack of a shared platform where all stakeholders could record details of beneficiaries especially refugee ID/proGres numbers to assist in identifying and tracing beneficiaries to reduce incidences of multiple assistance by different partners. Further, without details of beneficiaries, it was difficult to verify the indicator on number of forcibly displaced assisted as reported by various stakeholders to facilitate future programming to reach the unassisted population.

- (4) The UNHCR Division of Resilience and Solutions, with the support of the regional bureaux, should institute mechanisms to ensure that field operations strengthen their coordination with partners engaged in livelihoods and economic inclusion, thereby, identifying and addressing gaps and/or overlaps in assistance provided to forcibly displaced persons.**

UNHCR accept recommendation 4 and stated that DRS and Regional Bureaux will ensure that field operations coordinate with partners engaging in livelihoods and economic inclusion to ensure programmes are complementary rather than overlapping, using existing tools and coordination structures.

D. Monitoring and impact assessment

There was a need for in-depth review of livelihoods interventions and impact assessment

35. Monitoring and measuring programme impact is at the heart of UNHCR's approach to livelihoods as a means of tracking progress of interventions.

36. Following the creation of the UNHCR and World Bank Joint Data Centre and the establishment of the Data, Identity Management and Analysis (DIMA) Units at the regional level, UNHCR's capacity to analyze and make publicly available aggregated refugee data to inform refugee programming was improving. There was also better access to poverty and socio-economic data collected by multilateral financial institutions and international organizations.

37. Progress and impact measurement were assessed through the analysis of baseline and end-line surveys of refugees and host communities involved in various livelihoods projects. There were some positive stories. For example, an impact report prepared by UNHCR Mexico dated 1 April 2023, indicated that over 30,000 individuals were relocated to ten cities located in central and northern Mexico. Working age adults were matched with suitable job offers in the formal labour market, of which two out of three adult persons together with their families had been placed in the job market.

38. On the other hand, operations lacked capacity and funding to conduct outcome and impact evaluations. For example, the Regional Bureau of Southern Africa did not have resources to conduct impact assessment of programme effectiveness especially at the end of strategies. This problem was further compounded by the fact that annual signed agreements with partners were unsuitable for effectively measuring progress over time. Existing performance frameworks were inadequate since these were based on annual performance cycles that were not conducive to effective measurement of impact. In a strategic shift in 2023 UNHCR has moved to multi-year planning which should make it easier to measure impact of livelihoods projects that commonly have a longer gestation period.

39. The Representation in Pakistan implemented a vocational skills training with an added offering of a toolkit at the end of the training period to assist the graduates in setting up a business. However, the Representation had not undertaken a tracer study, i.e., to trace those who graduated and find out what impact the training had on their lives and whether they were in employment or self-employed.

40. UNHCR's Livelihoods Information System tracks performance and impact of livelihood programmes across operations. The livelihoods information system compared data collected at the beginning of the intervention, which formed the baseline with the data at the end of the project. At the time of the audit, the system was used by 25 field operations, including large hosting operations such as Cameroon, Jordan, Kenya and Syria. However, it was not utilized in the audited countries, except for

Angola and Nigeria. The results on key indicators were obtained from surveys conducted on limited yet representative samples of the targeted beneficiaries. However, these surveys in most countries were conducted by implementing partners, rather than by an independent third party.

41. The 2022 key global indicators, based on 11,091 baseline and 6,769 endline surveys (with data collection still ongoing in 5 field operations to this date), indicated that the employment rate rose by 19.5 percentage points. Additionally, the percentage of beneficiaries reporting an improvement in their income went up by 10 percentage points, while those indicating an improvement in their saving capacity declined by 5 percentage points. The livelihoods information system compared data collected at the beginning of the intervention which formed the baseline with the data at the end of the project.

(5) The UNHCR Division of Resilience and Solutions, in coordination with the regional bureaux, should extend the Livelihoods Information System to operations implementing sizable livelihoods programmes and build their capacity to measure livelihood outcomes and impacts.

UNHCR accepted recommendation 5 and stated that UNHCR will expand the Livelihoods Information System to reach at least 40 countries by 2025. This is 78 percent of the countries currently budgeting/implementing livelihoods and economic inclusion activities.

Need to strengthen monitoring of programme implementation to ensure satisfactory project outcomes.

42. The audit review also identified several instances of poor project implementation which led to the failure of the projects or to sub-optimal outcomes.

43. In Angola, 28 beneficiaries used grants received to start/ support their businesses for personal expenses (food and medicine) and/or the money was stolen. Additionally, 90 per cent of another partner's total expenditures went towards administration costs, thereby leaving only small amounts for livelihoods.

44. Allocated land was not effectively utilized in Uganda where only 218 of 2,000 acres leased for commercial farming was cultivated. The partner attributed this to the lack of farming machinery, mainly tractors and pickup trucks. At another location, only 165 of the 2,000 acres was cultivated, and this reduced to 133 acres in 2023 as the farmers sold the rice without keeping seeds for the next planting season.

45. The audit also identified shortcomings in procurements undertaken under the livelihoods programme in Uganda, which raised questions on whether best value was obtained. For example:

- An advance payment of \$34,000 was made for the supply of raw materials for the manufacture of soap. The contracted price of the winning bid was increased by \$8,200 without the relevant procurement committee's approval.
- The construction materials needed to set up the soap factory included 18,402 rolls of nylon ropes, 5,500 slashers and 1,500 pick-axes. However, the large quantities of manual tools could not be justified since the soap factory was housed in a rub hall.
- For contracts worth \$49,000, no bid analysis nor procurement committee minutes were available.
- Contracts worth \$124,000 were awarded to vendors whose registration documents, invoices and background indicated that their core expertise was in unrelated sectors. For example: (i) a furniture and office consumables company was awarded the contract for rice seedlings; (ii) an environment management company supplied fish/animal feed, fish fingerlings, chicken, and pigs; and (iii) an events management company supplied a rice milling machine.

46. These issues arose principally due to poor planning as well as inadequate and ineffective monitoring by multi-functional teams. Additionally, because livelihoods and economic inclusion staff were not involved in monitoring livelihoods projects, in-depth reviews of related activities did not take place.

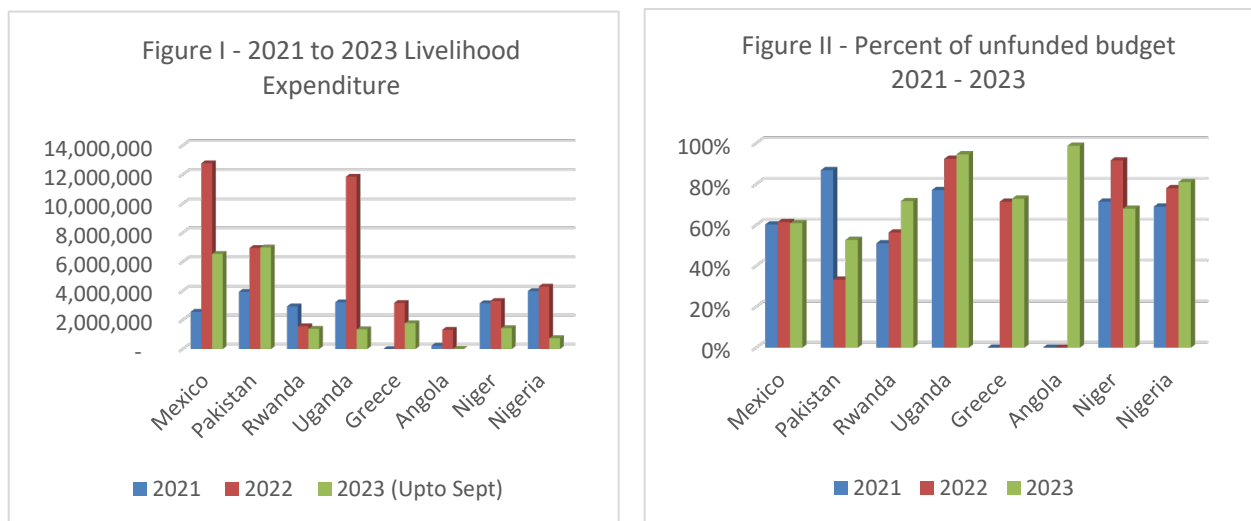
(6) The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions, should reinforce the management and monitoring of livelihoods interventions through, amongst other things, inclusion of technical expertise necessary to manage related programmes in multi-functional team reviews.

UNHCR accepted recommendation 6 and stated that the Regional Bureaux and DRS will ensure that there is improved management and monitoring of livelihoods and economic inclusion interventions in regions/countries where sufficient technical expertise exists to support multi-functional teams.

E. Resource allocation

Funding constraints impacted livelihoods and economic inclusion programmes and staffing

47. The onset of the pandemic in 2020 and the changing geopolitical and macroeconomic profoundly transformed the global landscape and brought significant challenges and risks to the availability of funds for all sectors including livelihoods. Figures I shows the livelihoods programme expenditures in the audited field operations and Figure II shows the extent to which livelihood budgets were underfunded.



48. Despite the increase in livelihood expenditures in 2022 compared to 2021, the extent of underfunding in the livelihoods sector was substantial in all operations reviewed and ranged from 38 to over 90 per cent. A global report prepared by UNHCR showed that 62 percent of livelihoods needs were not met.

49. The field operations under the MENA Bureau however noted that funding for livelihoods and facilitation of activities in the region was in line with the field operations' prioritization and strategies. The Regional Bureau for Europe added that low budgets did not necessarily indicate underfunding. Instead, low budgets may result from the fact that economic inclusion activities often entail staff costs rather than operational costs and that in some cases, low budgets may still lead to high-impact and results through meaningful inclusion.

50. In contrast, the field operations under the remaining five bureaux however noted that the lack of resources hampered their ability to address the growing challenges, which included: legal and institutional barriers, limited access to financial services, lack of access to training and skills development, and insufficient access to land for agriculture-based livelihoods. Some impacts of the budget cuts on livelihoods and economic inclusion programme included the following, as ascertained through questionnaires:

- Insufficiency of funding to move the livelihoods programme beyond subsistence interventions to achieve economic self-reliance, especially considering the high food insecurity, youth unemployment and other economic challenges. Funding constraints also limited the impact and scale of activities and affected UNHCR's capacity to conduct proper assessments and monitoring.
- Discontinuation and/or nationalization of international posts in the East and Horn of Africa and Great Lakes region. Due to funding constraints, the UNHCR graduation programme did not cover urban refugees in Kigali.
- Lack of qualified technical staff at the local level to ensure proper coordination, follow-up and monitoring of activities in Niger.
- Reduction of posts in the Southern Africa region, with cuts in positions and nationalization of others. South Africa had a livelihoods strategy, but no allocated budget in 2023.
- Planned reductions from March 2024 in livelihoods and economic inclusion staffing in West and Central Africa region with cuts in positions of senior livelihoods and economic inclusion officer and livelihoods officer in Niger.
- Termination of the global P4 position in headquarters leaving only one livelihood related position in Geneva. This would inevitably impact the LEI Unit's execution of its strategic, normative, and technical oversight functions under DRS' Roles, Authorities and Accountabilities.
- Reduction in regional positions in Panama and Dakar and in general there were several downgrades in posts or nationalization of posts.

51. On the other hand, OIOS noted that globally there were 96 regular posts allocated to the livelihoods and economic inclusion programme, of which 29 posts were vacant and needed to be filled. The scale of staff cuts posed a substantial risk for economic inclusion opportunities, advocacy, and monitoring and partnerships, even where UNHCR is taking on more of facilitation roles. At a minimum, UNHCR should have livelihoods staff where UNHCR implements livelihoods activities, including for facilitation and inclusion.

52. With reduced funding, the regional bureaux and country operations would need to step up fundraising efforts. In line with the Grand Bargain¹ commitments, focus also needs to shift to targeting cost and process efficiencies in programme implementation. These measures could include increased partnerships with national responders, rationalizing the number of livelihoods partners, establishing robust partner staffing plans and reducing burdensome financial and reporting requirements. In addition, as per the Roles, Accountabilities and Authority Framework, regional bureaux and field operations should proactively identify and take up fundraising opportunities.

(7) The UNHCR regional bureaux with the support of the Division of Resilience and Solutions, should: (a) mainstream cost and process efficiencies; (b) make concerted fundraising efforts at the regional bureau and field operation levels; and (c) undertake strategic workforce planning to align its livelihoods staffing and structure design with the Organization's strategic priorities.

¹ An agreement between the largest donors and humanitarian organizations who have committed to get more means into the hands of people in need and to improve the effectiveness and efficiency of humanitarian action.

UNHCR accepted recommendation 7 and stated that the Bureaux will ensure the mainstreaming of cost and process efficiencies in their respective regions. DRS will support Regional Bureaux and country operations make concerted fundraising efforts for livelihoods and economic inclusion interventions in collaboration with DER. Bureaux with advice from DRS will lead strategic workforce planning to align its livelihoods staffing and structure design with the UNHCR's strategic priorities in their respective regions.

F. Support and oversight

There was a need for in-depth review of livelihoods interventions and impact assessment

53. Regional bureaux, through senior livelihoods and economic inclusion officers, provided support and oversight to field operations and multi-country operations in their areas of responsibility. Regional bureaux actively engaged in the review of livelihoods strategies in their respective regions, providing support and alignment with global and regional guidelines to ensure that these strategies were in line with UNHCR's priorities and objectives. Examples of assistance provided included: support missions, workshops, technical guidance, commissioning evaluations including evaluations of UNHCR's livelihoods programme. No separate recommendation is raised on support and oversight, but the important role of the regional bureaux is referenced in recommendations made in sections B, C D and E.

IV. ACKNOWLEDGEMENT

54. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of livelihoods programmes in field operations of the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNHCR Division of Resilience and Solutions should finalize the global livelihoods and economic inclusion strategy following a theory of change approach, ensuring that livelihoods and economic inclusion programming and partnerships are adaptive to evolving operating contexts' identified risks and opportunities.	Important	O	Receipt of the finalized global livelihoods and economic inclusion strategy.	31 May 2024
2	The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions, should ensure that operations carry out institutional mapping to inform programme design and planning for enhancing the enabling environment for economic inclusion.	Important	O	Receipt of documentary evidence that field operations conduct institutional mapping.	31 December 2024
3	The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions should ensure that field operations undertake market assessments to inform planning and design of livelihoods projects.	Important	O	Receipt of documentary evidence that field operations conduct markets assessments.	31 December 2024
4	The UNHCR Division of Resilience and Solutions, with the support of the regional bureaux, should institute mechanisms to ensure that field operations strengthen their coordination with partners engaged in livelihoods and economic inclusion, thereby, identifying and addressing gaps and/or overlaps in assistance provided to forcibly displaced persons.	Important	O	Receipt of evidence of instituted mechanisms that ensure that through coordination with partners, field operations identify and address gaps and/or overlaps in assistance provided to forcibly displaced persons.	31 December 2024
5	The UNHCR Division of Resilience and Solutions, in coordination with the regional bureaux, should	Important	O	Receipt of evidence on the roll out of Livelihoods Information System to operations implementing	31 December 2025

² Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

³ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁴ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁵ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of livelihoods programmes in field operations of the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
	extend the Livelihoods Information System to operations implementing sizable livelihoods programmes and build their capacity to measure livelihood outcomes and impacts.			sizeable livelihoods programmes and building their capacity to measure livelihood outcomes and impact.	
6	The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions, should reinforce the management and monitoring of livelihoods interventions through, amongst other things, inclusion of technical expertise necessary to manage related programmes in multi-functional team reviews.	Important	O	Receipt of evidence of actions taken to reinforce management and monitoring of livelihoods and economic inclusion interventions.	31 December 2024
7	The UNHCR regional bureaux with the support of the Division of Resilience and Solutions, should: (a) mainstream cost and process efficiencies; (b) make concerted fundraising efforts at the regional bureau and field operation levels; and (c) undertake strategic workforce planning to align its livelihoods staffing and structure design with the Organization's strategic priorities.	Important	O	Receipt of evidence of mainstreaming of costs and process efficiencies in livelihood programmes, concerted fundraising efforts and strategic workforce planning.	31 December 2024

APPENDIX I

Management Response

Management Response

Audit of livelihoods programmes in field operations of the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	The UNHCR Division of Resilience and Solutions should finalize the global livelihoods and economic inclusion strategy following a theory of change approach, ensuring that livelihoods and economic inclusion programming and partnerships are adaptive to evolving operating contexts' identified risks and opportunities.	Important	Yes	Chief of Self-Reliance and Inclusion Section	31 May 2024	The Division of Resilience and Solutions (DRS) will finalize the Global Livelihoods and Economic Inclusion strategy by 31 May 2024, to allow for comprehensive inclusion of the outcomes and pledge commitments of the Global Refugee Forum and the analysis of the Global Survey on Livelihoods and Economic Inclusion.
2	The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions, should ensure that operations carry out institutional mapping to inform programme design and planning for enhancing the enabling environment for economic inclusion.	Important	Yes	Chief of Self-Reliance and Inclusion Section	31 December 2024	This recommendation requires ongoing support and oversight to ensure institutional mappings are up to date. However, DRS and Regional Bureaux will support field operations in carrying out institutional mapping in countries that currently do not have such overview of partner and stakeholder activities by the end of 2024.
3	The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions should ensure that field operations undertake market assessments to inform planning and design of livelihoods projects.	Important	Yes	Chief of Self-Reliance and Inclusion Section	31 December 2024	DRS and Regional Bureaux will support field operations in conducting markets assessments in countries where such information is not available/conducted by other partners, if UNHCR budgets allow.
4	The UNHCR Division of Resilience and Solutions, with the support of the regional bureaux, should institute mechanisms to ensure that field operations strengthen their coordination with partners engaged in livelihoods and economic inclusion, thereby, identifying and addressing gaps	Important	Yes	Chief of Self-Reliance and Inclusion Section	31 December 2024	DRS and Regional Bureaux cannot gather and coordinate comprehensive information on all assistance provided to forcibly displaced persons, across various sectors, including CBI, CRI/NFI, protection, food etc. However, DRS and Regional Bureaux

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
	and/or overlaps in assistance provided to forcibly displaced persons..					will do our utmost to ensure coordination amongst partners engaging in livelihoods and economic inclusion to ensure programmes are complementary rather than overlapping, using existing tools and coordination structures.
5	The UNHCR Division of Resilience and Solutions, in coordination with the regional bureaux, should extend the Livelihoods Information System to operations implementing sizable livelihoods programmes and build their capacity to measure livelihood outcomes and impacts.	Important	Yes	Chief of Self-Reliance and Inclusion Section	31 December 2025	UNHCR will expand the Livelihoods Information System to reach at least 40 countries by 2025. This is 78 percent of the countries currently budgeting/implementing livelihoods and economic inclusion activities.
6	The UNHCR regional bureaux, in coordination with the Division of Resilience and Solutions, should reinforce the management and monitoring of livelihoods interventions through, amongst other things, inclusion of technical expertise necessary to manage related programmes in multi-functional team reviews.	Important	Yes	Chief of Self-Reliance and Inclusion Section	31 December 2024	This recommendation requires ongoing support and monitoring. However, Regional Bureaux and DRS will ensure improved management and monitoring of livelihoods and economic inclusion interventions in regions/countries where sufficient technical expertise exists to support multi-functional teams.
7	The UNHCR regional bureaux with the support of the Division of Resilience and Solutions, should: (a) mainstream cost and process efficiencies; (b) make concerted fundraising efforts at the regional bureau and field operation levels; and (c) undertake strategic workforce planning to align its livelihoods staffing and structure design with the Organization's strategic priorities.	Important	Yes	Bureau Directors	31 December 2024	(a) Based on the regionalization process implemented in 2020, DRS is not in a position to have oversight on cost and process efficiencies and hence mainstream such processes. Therefore, the Bureaux will have to ensure mainstreaming of cost and process efficiencies in their respective regions. (b) DRS will support Regional Bureau and country operations make concerted fundraising efforts for livelihoods and economic inclusion interventions in collaboration with DER. (c) DRS can

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						advise Bureaux on strategic workforce planning but is not in a position to enforce recommendations due to regionalization. Hence, Bureaux will lead strategic workforce planning to align its livelihoods staffing and structure design with the Organization's strategic priorities in their respective regions, while final decisions will be taken at country level.